

**Testimony of  
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“FTAA Negotiations and U.S. Agricultural Exports”  
U.S. House of Representatives  
Committee on Agriculture  
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Thank you, Mr. Chairman, Congressman Stenholm, and Members of the Committee, for inviting me to testify before the Committee on Agriculture. The Committee is particularly lucky to have such knowledgeable and vigorous leadership in the person of the Chairman and Ranking Member. Being from Texas myself and knowing both the Chair and Ranking Member, that is exactly what I would expect from them.

Mr. Chairman, during the Summit of the Americas, you led a Congressional delegation to speak directly with heads of state and trade negotiators committed to completing the Free Trade Area of the Americas (FTAA) agreement. I applaud you for taking that initiative and for holding this hearing to enable us to discuss the importance of these negotiations to U.S. agricultural interests.

I appreciate the opportunity to set out the President’s trade agenda and explain, together with Secretary Veneman and Ambassador Zoellick, the critically important place that agriculture holds in that agenda. I look forward to hearing the Committee’s views on how we should shape the U.S. negotiating agenda to meet the agriculture community’s needs. I also welcome the opportunity to explain the important role that the Commerce Department plays as an advocate for our exporters in the agribusiness community, and for agriculture generally, by combating unfair trade practices through the vigorous enforcement of our trade laws.

The Economic Case for Trade Liberalization

Let me begin by focusing on the importance of open markets to the United States. In purely economic terms, it is in our own best interest to pursue open markets. As we begin the 21st century, the U.S. economy is fundamentally sound and integrated into the world economy as never before. Trade liberalization over the past 40 years has been a key factor leading to our longest post-war period of economic growth. Since 1995, total U.S. private sector productivity has increased three percent a year. U.S. industrial production was 48 percent higher in 2000 than in 1990, and more than 20 million new jobs have been created in the United States since the early 1990s.

U.S. export trade has expanded even faster than the U.S. economy. The data documenting trade growth over the last two decades are remarkable as U.S. trade with the rest of the world has soared. Exports increased from \$57 billion in 1970 to \$1,069 billion in 2000, an increase of over 10 percent per year. Imports rose from \$54 billion to \$1,438 billion, a rise

of 11.5 percent annually. Trade accounted for 20-25 percent of U.S. economic growth in the last decade and now accounts for one-third of our GDP, up sharply from 13 percent in 1970. Moreover, this phenomenon is not unique to the United States -- world trade growth has increased much more rapidly than world GDP growth.

We estimate that some 12 million U.S. jobs were supported by exports in 2000; one in every five manufacturing jobs is supported by exports, and one in three acres planted in the United States grows crops destined for export. Jobs supported by U.S. goods exports -- directly or indirectly -- pay wages that are 13 percent higher than the average domestic wage, and high-tech industry jobs supported by exports have average hourly earnings 34 percent higher than the national average. Workers in jobs directly supported by these exports receive wages 20 percent higher than the national average. Thus additional exports generated by market-opening initiatives have historically had a significant impact on employment levels and incomes, both at the personal level and for the Nation as a whole.

Trade enhances our competitiveness. U.S. producers have been provided with a wider choice of suppliers. Productivity, investment, and economic growth have been stimulated through greater competition and the exposure to new ideas. U.S. consumers have had more choice in their purchasing decisions. Trade liberalization through the Uruguay Round and the NAFTA has resulted in higher incomes and lower prices -- benefits amounting to \$1300 and \$2000 for the average American family of four.

Nowhere are the benefits of trade seen more clearly than in agriculture. U.S. firms are globally competitive in agricultural commodities, such as wheat, corn, and soybeans, as well as in agriculture-dependent goods, including harvesting equipment; refrigeration, processing, packaging and distribution systems; chemicals; fertilizers and various services. Twenty-five percent of U.S. agricultural sales are for export; these exports account for nearly 750,000 U.S. jobs, both on and off the farm. According to my Department's Bureau of the Census, U.S. exports of agricultural products, including commodities and processed foods, increased nearly 8 percent last year to \$52.1 billion.

The United States is a net exporter for most agricultural products. We export 12 times as much wheat as we import, 21 times as much feed grain, over five times as much rice, twice as much tobacco, and nearly nine times as much cotton. Many of our products depend on overseas markets for at least a quarter of their sales.

Equally important, agricultural exports have a significant spill-over effect for other parts of our economy. Agribusiness extends well beyond commodities. Almost half of the world's top 50 food processing firms are headquartered in the United States and account for one-third of our agricultural exports. Approximately half of the 3.3 million Americans who work in agribusiness are employed in the processed food and beverage industries.

Given all we are accomplishing now, imagine what we would be capable of in a market free of foreign export subsidies, high tariffs, or quotas on imports of U.S. products. The Organization for Economic Cooperation and Development (OECD) has found that average tariff rates on food and beverages tend to be the highest tariffs that countries impose. These simple bound tariff averages provided by the U.S. Department of Agriculture's Economic Research Service demonstrate why trade liberalization is so important for U.S. farmers: In the United States, the average agricultural tariff is 12 percent while the average agricultural tariff for the European Union is just over 30 percent, and the average bound tariff for WTO members is 60 percent. In South America, the average tariff for agricultural commodities is 39 percent; in Central America, the average tariff is 54 percent; and in the Caribbean, the average tariff is 86 percent. Unfortunately, tariffs are not the only hurdles that our farmers face. Even while trade barriers have been lowered on industrial goods in OECD countries, trade barriers remain pervasive in the agricultural sector. Plainly, our farmers have a lot to gain from an aggressive trade agenda that opens markets to their goods. The FTAA would significantly expand market access for U.S. farms and businesses.

### The Moral Case for Free Trade

Having made the economic case for opening markets, let me explain why President Bush calls free trade a moral imperative. Trade means considerably more than just economic growth, higher-paying and more plentiful jobs, and a rising standard of living in America. Trade is ultimately about freedom. It is the freedom for America's farmers, entrepreneurs, and workers to pursue their own economic destiny free from government interference. America's farmers, for example, have the right to expect that their government will shape markets at home and abroad that reward the risk they assume in the marketplace. Whether it is corn in Iowa or Nebraska, cattle from Texas or Montana, or wheat across vast stretches of Kansas or the Dakotas, American farmers represent a living example of the American spirit -- the independence and ingenuity that it takes to succeed in the toughest markets in the world. Yet, they do succeed, even when they have to fight against the odds created by foreign government intervention in the marketplace. Our job in government is to ensure that we level the international playing field for our farmers, businesses, and workers by breaking down the barriers that exist abroad.

There is a reason Thomas Jefferson thought a farmer's life was the ideal soil in which to plant the seeds of liberty. He believed that "[t]he cultivators of the Earth are the most valuable citizens. They are the most vigorous, the most independent, the most virtuous, and they are tied to their country and wedded to its liberty and interest by the most lasting bonds." What Jefferson understood was that assuming responsibility for one's own future reinforced the habits of liberty -- habits of liberty that are best practiced by free men and women in pursuit of their own dreams.

Jefferson saw clearly that individual rights are tied to economic freedom. That maxim has been borne out in practice. As the noted economist, Mancur Olson, observed in *Power and Prosperity*,

it is no accident that the developed democracies with the best established individual rights are also the societies with the most sophisticated and extended transactions (such as those in futures, insurance, and capital markets) for realizing the gains from trade. They are generally the societies with the highest levels of per-capita income.

The importance of that success is not merely material. It also is an example of how life should be led. Freedom is served when governments tear down barriers to individuals' success, whether these barriers are political, social or economic, as in the case of trade.

From the President's perspective, our most important export is freedom. The single best route to encourage the export of those habits of liberty that give men and women around the world a stake in defining their own future is by removing the government-made barriers to trade and investment.

Earlier this month, the President, Ambassador Zoellick and I had the pleasure of addressing the Council of the Americas. The President observed that, when the Council of the Americas was formed in 1965, our hemisphere was a very different place – it was not as democratic, and trade and investment mattered much less to our economy. At the recent Summit of the Americas in Quebec, it was impossible not to notice how much has changed. As the final Quebec communique shows, we and our neighbors now share common values and a respect for democracy, the benefits of which extend far beyond a more robust trading relationship.

NAFTA provides the strongest example of the sort of change that opens markets encourage. NAFTA has clearly transformed our relationship with Mexico. Mexico is now our second largest trading partner – second only to Canada, our other NAFTA partner. The expansion of trade with Mexico brought jobs and prosperity to both our nations. It created a new relationship with our southern neighbors, one of partnership based on mutual respect. It created hope of a brighter economic future and trust in the relationship between human freedom and economic progress. At the Summit, President Fox of Mexico underscored that point himself. He said, "I am convinced that the democratic exercise of power, together with the democratization of the economy and the strengthening of our rule of law will bring us more competitive, more progressive, more just, and more humane economies."

That is one of the reasons I am so pleased that this Committee has taken a strong interest in the FTAA. The Administration believes that the FTAA is important not solely because it will provide economic benefits to the United States and to the hemisphere. It is

also important because we believe the economic benefits of the agreement will help to strengthen democratic values and institutions throughout the hemisphere.

### Commerce Department's Role in Agricultural Trade

I would like to shift our focus, for a moment, to something more prosaic -- the Commerce Department's role in U.S. agriculture trade. When most people think of agricultural exports, they often do not think of the Commerce Department -- but they should, and I hope that my presence here today underscores this point: We work very closely with the USTR and the Department of Agriculture to promote agricultural exports and resolve market access issues.

- At the Department, we have an Advocacy Center that acts as an unique, central coordination point marshaling the resources of 19 U.S. Government agencies to ensure that sales of U.S. products and services have the best possible chance abroad. The Advocacy Center has coordinated assistance that resulted in the award of contracts to U.S. companies in the agriculture industry with a total estimated value of \$62.4 million.

One example that might resonate with the Chair and Ranking Member is the Commerce Department's recent assistance to Texas A&M. Texas A&M University was selected by the Republic of Trinidad and Tobago to assist the Ministry of Agriculture, Land & Marine Resources to restructure, develop and implement a land distribution program; after long delays in signing the contract, Texas A&M requested assistance from the Advocacy Center, which worked with the U.S. Ambassador and his staff to provide continued on-the-ground support. The \$2 million contract was finally won and has the potential of supporting jobs throughout Texas, including many subcontractors and suppliers.

- Our "one-stop-shop" in the Trade Information Center (which can be reached at 1-800-USA-TRADE) regularly advises our agribusiness companies on the U.S. Government resources that will best facilitate their export business. The Trade Information Center works closely with other agencies and our own country and industry experts, such as those in our Office of Consumer Goods, who provide export counseling to potential U.S. processed food exporters. This office also provides analysis and advice used by our trade negotiators to set priorities to maximize the market access benefits for our exporters.
- Our Commercial Service Officers are located in 105 offices in cities throughout the United States, and in 160 locations abroad. Along with the Foreign Agricultural Service, we have formed an interagency Agribusiness Team that will improve the export assistance provided to small- and medium-sized agribusiness companies. The team works closely with state governments and state regional trade groups to provide business counseling and trade promotion opportunities.

- The hard work of our Commercial Service officers has helped our agribusiness expand in numerous ways. For example, Wild Rice Exchange, a Woodland, CA-based cooperative of wild rice producers, sells wild, organic and conventional rice as well as dried fruits. Commercial Service officers in our Export Assistance Centers in Sacramento and Fresno helped a representative for Wild Rice Exchange participate in the Sial Mercosur Show held in Buenos Aires, where a Commercial Service official based in Argentina counseled the company, leading to the appointment of a company sales representative and an initial purchase valued at \$100,000.
- Our Import Administration (IA) safeguards American farmers and jobs against unfair trade. The antidumping and countervailing duty laws have a long history of application to agricultural commodities. In fact, the first countervailing duties ever applied by the United States were collected on sugar from Russia in 1897 to combat Russian subsidies to sugar production. Currently, IA is conducting seven antidumping and two countervailing duty investigations on agricultural products. IA also administers 20 antidumping and countervailing duty orders and one suspension agreement on agricultural products.

The trade laws allow for seasonal agricultural industries to bring cases to the Department for relief from unfair trade practices, as well. The Department has taken steps to ensure that seasonal agriculture industries are able to take full advantage of trade remedies. In keeping with this commitment, we recently initiated a case involving a seasonal agricultural industry, Spring Table Grapes from Chile and Mexico.

Import Administration's Subsidies Enforcement Office (SEO) is a vital component of the Department's mission of strongly enforcing the countervailing duty laws. The SEO is charged with combating foreign government subsidy practices and has the resources to proactively represent U.S. interests on subsidy issues; this office has a team dedicated to examining all subsidy issues, including those relating to the agricultural industry.

Commerce, in cooperation with USTR, has vigorously defended U.S. industries against countervailing duty and antidumping actions taken by other governments.

Most recently, Commerce along with USTR and the Department of Agriculture, defended the U.S. corn industry in the countervailing duty and antidumping investigations conducted by the Government of Canada. Import Administration played a key role in developing the U.S. Government positions in the countervailing duty case and ensuring that the Canadian authorities were playing by the rules. Ultimately, we won both of these cases due the combined efforts and hard work of all three agencies.

- Our Market Access and Compliance unit strives to keep markets open and monitor and enforce global trade rules – work that is critical to the growth and well-being of U.S. agriculture producers, distributors, and processors. MAC works with USDA, USTR, and State to conduct public outreach programs in Europe and around the world to ensure the benefits of new technologies such as biotechnology can be enjoyed by producers and consumers alike. Certain governments are implementing costly and impractical labeling schemes and documentation procedures for certain biotechnology foods. MAC's role lies in ensuring that member countries abide by their commitments under the WTO and under the WTO Sanitary and Phytosanitary Agreement to govern biotechnology through science-based, nondiscriminatory and transparent measures. MAC also supports and participates actively in international discussions on various biotech-related issues (such as mandatory processed-based labeling, traceability, and use of precaution) in standards-setting bodies to ensure that regulatory measures do not serve as disguised barriers to trade.

Our Congressionally mandated Compliance Initiative is enabling MAC and IA to augment their staffs in Washington and overseas. For instance, we plan to place a compliance expert in Brussels who will work with the resident American business community and the EU rule-makers to keep trade barriers from arising in the first place and to resolve existing obstacles to our market access.

All in all, the Commerce Department works closely with USDA and USTR in a wide array of areas that contribute a great deal to U.S. agricultural trade. I intend to continue those efforts at the Department.

### Conclusion

Let me close by saying that, together, we have some tough work ahead of us. That is true of the work we have to do abroad in opening new markets. It also is true of the work we have to do here at home in setting the stage for further trade liberalization by the renewal of trade promotion authority.

There will be opponents who will raise valid concerns. We should listen and address them, provided that we do not undercut the basic benefits that trade brings. We need to make the case – and help your constituents back home understand – that trade creates wealth that can spur economic innovation, create new and higher-paying jobs and pay for a cleaner environment here and abroad. Furthermore, if we want our values to continue to take hold in this hemisphere, we must press ahead. If we fall short in that effort, we will have, if you'll pardon the pun, a very tough row to hoe.

Thank you again for inviting me to testify, and I look forward to your questions.